



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
4400 EAST BROADWAY BOULEVARD • SUITE 200 • TUCSON, AZ 85711-3554 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778

Paul Matson
Director

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

**Tuesday, May 22, 2018
3:30 p.m.**

The Arizona State Retirement System (ASRS) Investment Committee (IC) met in the 14th Floor Conference Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. Clark Partridge, Acting-Chair of the IC, called the meeting to order at 3:30 p.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway Boulevard, Suite 200, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Acting Chair
Mr. Michael Lofton (Via teleconference)

One vacant position.

A quorum of the IC was present for the purpose of conducting business.

2. Approval of the Minutes of the April 17, 2018 Public Meeting of the ASRS IC

Mr. Michael Lofton moved to approve the minutes of the April 17, 2018 public IC meeting. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused and 1 vacancy, the motion was approved. The trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Michael Lofton – approved

3. Presentation, Discussion, and Appropriate Action Regarding Strategic Asset Allocation

Mr. Allan Martin began the presentation by describing the NEPC process for strategic asset allocation. He noted that NEPC updates its return forecasts annually and participates in a strategic asset allocation review for ASRS once every three to five years. He described the NEPC methods of analysis which include mean variance optimization, liquidity analysis, risk budgeting and scenario analysis. Mr. Martin explained the methods of mean variance optimization and the concept of an efficient frontier. Mr. Martin described a target portfolio devised in cooperation with the ASRS investment team and an alternate portfolio. Mr. Martin noted that the target portfolio has a higher expected return and lower volatility compared to the current strategic asset allocation.

Mr. Karl Polen then described the structure of the proposed strategic asset allocation which includes, as in the past, a list of asset types with target weights, ranges and benchmarks but now also includes policies limiting leverage, establishing minimum liquidity requirements and requiring an annual planning process. He then described the asset allocation policy recommendation which is the same as the target portfolio analyzed by

NEPC. Mr. Polen then described risk concepts and the proposed policies regarding liquidity and leverage. Finally, Mr. Polen described the planning hierarchy including the strategic planning process which has a multiple decade horizon, the annual implementation plans which focus on a three to five year horizon and the house view and tactical position process which focuses on near term conditions and a tactical response to them.

Members of the ASRS Board, Staff, and NEPC consultants engaged in a discussion about the proposed strategic asset allocation recommendations.

Motion: Mr. Clark Partridge moved to recommend the full Board adopt the following policies from the Investment Strategy paper as follows:

- Asset allocation and benchmark policy (page 15)
- Liquidity policy (page 31)
- Leverage policy (page 37)
- Implementation plans requirement (page 39)

These policies replace the previously adopted strategic asset allocation and asset class strategic plans for private equity, real estate and opportunistic investments.

Mr. Michael Lofton seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused and 1 vacancy, the motion was approved. The trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Michael Lofton – approved

4. Request for Future Agenda Items

There were no requests for future agenda items.

5. Call to the Public

No members of the public requested to speak.

6. The next ASRS Investment Committee Meeting is scheduled for Friday, June 22, 2018 at 9:00 a.m. at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix , Arizona

Mr. Partridge noted the next IC meeting is scheduled for Friday, June 22, 2018 at 9:00 a.m.

7. Adjournment of the ASRS IC Meeting

Motion: Mr. Michael Lofton moved to adjourn the meeting at 5:37 p.m. Mr. Clark Partridge seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused and 1 vacancy, the motion was approved. The trustee votes were as follows:

Mr. Clark Partridge – approved
Mr. Michael Lofton – approved

Respectfully submitted by:

Joyce Williams/Karl Polen
Investment Committee Administrator/Chief Investment Officer
ARIZONA STATE RETIREMENT SYSTEM